

## MEMORANDUM

**Date** : April 15, 2010


**To** : Kathleen Rose, Deputy Director, ROD

**From** : Audits Office

**Subject: Vehicle and Vessel Registration Compliance Audit of  
Data Entry Units 725 and 726**

We have completed the Vehicle and Vessel Registration Compliance Audit of Data Entry Units 725 and 726 for the period of October 1, 2007 through September 30, 2009. We hereby present this final audit report for your information. Based on the results of our audit, there were no reportable findings or concerns for these units.

We thank the management and staff of the data entry units for their cooperation and courtesy extended to our auditors during this audit. If you have questions regarding the audit, please contact Sherry Clark, Supervisor of the Field Office Review Section, at (916) 657-6237.



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VEHICLE AND VESSEL REGISTRATION PROGRAM AUDIT  
OF DATA ENTRY UNITS 725 AND 726

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# VEHICLE AND VESSEL REGISTRATION AUDIT OF DATA ENTRY UNITS 725 AND 726

## FINAL AUDIT REPORT

APRIL 2010

### EXECUTIVE SUMMARY

At the recommendation of the Department of Finance (DOF) and as required by the Institute of Internal Auditors (IIA) Inc., the Internal Audits Branch (IAB) conducted a Department-wide Risk Assessment in 2008 to evaluate the Department of Motor Vehicles (Department) from a strategic perspective, and identify high-risk programs, processes, and/or activities to audit. The **Vehicle and Vessel Registration (VVR) Program** was identified as a moderate to high-risk program impacting the Department's core business functions.

The areas of risk associated with the VVR Program activities were inaccurate transaction processing, fraudulent applications, revenue collections, cash handling, and information security breaches. This is due to the DMV's daily processing of high volumes of customer transactions, large amount of fees collected, and the customer personal and confidential information that is collected, retained, and secured. Selection factors included the integrity and confidentiality of vehicle registration records, unstable system environment, security and confidentiality of department information, inventory discrepancies, high potential for fraud and resulting loss of revenue, and non-compliance with departmental policies and procedures.

This audit measured adherence to registration transaction processing and accountable inventory policies and procedures, safeguards of customer personally identifiable information (PII), data integrity of the department's computer system, effectiveness of internal controls, and sufficiency of governance and oversight. Further, it incorporated the responses to questionnaires completed by Data Entry Unit 725 and 726 and a walkthrough of the units.

Our audit disclosed that Data Entry Units 725 and 726 adhere to the established policies and procedures relating to the vehicle and vessel registration transactions. This report documents the details.

### BACKGROUND, OVERVIEW AND AUTHORITY

The Department's VVR Program provides a variety of services to California residents and business entities. This includes validating and accurately processing vehicle and vessel transactions for residents and nonresidents, issuing duplicate titles, processing

registration renewals, lien sales, and salvage certificates for vehicles operated in the state of California.

Data Entry Reporting Units 725 and 726 staff are responsible for processing large volumes of Renewal by Mail (RBM) transactions for Vehicle Registration (VR), Drivers License (DL) and the Automated Billing Information System (ABIS) through an automated system. This area is also responsible for keying Notices of Release of Liability into the registration database and updating change of address information submitted to the department. The critical automated system used to process registration transactions is the CA DMV Remittance Processing System. The units collect revenues of 7 to 10 million dollars daily. Revenue comes into the department by mail via check, money order or cash from customers for VR, DL or ABIS transactions. The remittance processing area is restricted and can only be accessed using designated badges.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors, Inc., *Generally Accepted Government Auditing Standards* promulgated by the US Government Accountability Office, and under the authority granted to us in the Audit Charter. This final report presents the details and results of the audit.

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## OBJECTIVES AND SCOPE OF AUDIT

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The general objective of the VVR Program Audit was to provide management with an independent assessment of the risks, controls, and governance procedures associated with the VVR Program and related activities.

Specific audit objectives included the following:

- Evaluated VVR activities and ensured that offices comply with established laws, regulations, and departmental registration policies and procedures. (Policies and procedures)
- Assessed the existing risks associated with VVR activities, and determined whether compensating controls are in place to identify and mitigate such risks. (Program risks)
- Ensured that policies and procedures relating to the receipt, storage, issuance, periodic inventory, and security of accountable items are adhered to. (Accountable and controlled items)
- Verified whether adequate privacy and security controls exist to safeguard customer personally identifiable information (PII), and prevent unauthorized access to DMV registration information and systems. (Privacy and security)

- Determined whether adequate administrative and accounting controls have been established over registration activities and ensured that the overall internal controls function properly as intended. (Internal controls)
- Verified whether Registration Operations Division (ROD) management has adequate monitoring and governance control procedures in place to ensure the VVR program is effective and efficient. (Governance and Oversight)

The audit included a review of vehicle and vessel registration transactions and associated activities from October 1, 2007 through September 30, 2009. We reviewed the Inventory Shipping Lists, Notice of Transfer of Accountable or Controlled Items, P35 Log and receipts, office rosters, Employee Purge Reports, Browse Abbreviated Employee Records, Modify Employee Records, and Application Review Lists.

### **APPROACH AND METHODOLOGY**

In order to accomplish the above objectives, the Internal Audits Branch prepared and submitted a questionnaire to Data Entry Unit management and reviewed requested documentation to evaluate the operational efficiency and effectiveness of the VVR program. The following methodology was used:

- Determined if controls were in place to ensure that accountable item inventory was properly handled.
- Determined if technicians followed proper procedures when processing registration transactions, handling of cash and check payments were done in a safe secure manner and retention guidelines were properly adhered to.
- Ensured that retention and signature guidelines for DMV's Annual Information Security Policy and Computer Use Statement (DMV 350) were adhered to.
- Verified whether sufficient controls existed to protect access to DMV computers and customer information.
- Verified that Data Entry unit staff has received enough training and filled out proper documentation for procedures involved in the safeguarding of personally identifiable information.
- Verified that only authorized employees are allowed in the unit and inquired into the procedures that are followed when an employee either resigns, leaves or transfers.

We conducted this audit at Sacramento HQ units, Data Entry Unit 725 and Data Entry Unit 726, units monitored by the ROD. Data Entry Unit 725 covers the day shift while Data Entry Unit 726 covers the swing shift. Both shifts process the same work, so our auditors were able to use the day shift as a guide to what the swing shift does. The selection of Data Entry Units 725 and 726 was based on two factors: high volume of transactions and the large amount of revenue collections.

## RESULTS AND OPINION

Overall, our evaluation revealed that Data Entry Units 725 and 726 adhere to the established policies and procedures relating to the VVR Program and there were no significant internal control weaknesses or findings. More specifically, the following were noted:

- Data Entry Units 725 and 726 complied with established laws, regulations, and departmental registration policies and procedures. (Policies and procedures)
- Units 725 and 726 had compensating controls in place to identify and mitigate registration processing risks. (Program risks)
- Both units adhered to policies and procedures relating to the receipt, storage, issuance, periodic inventory, and security of accountable items (accountable and controlled items)
- Adequate privacy and security controls existed to safeguard customer personally identifiable information (PII), and prevented unauthorized access to DMV registration information and systems. (Privacy and security)
- Adequate administrative and accounting controls were established over registration activities and the data entry units ensured that the overall internal controls function properly as intended. (Internal controls)
- ROD management has adequate monitoring and governance control procedures in place to ensure the VVR program was effective and efficient. (Governance and Oversight)

## NEXT STEPS

This is the final audit report. No further action is necessary as there are no findings or concerns.

## CONCLUSION

Our audit disclosed that Data Entry Units 725 and 726 have established adequate policies and procedures and staffs follow those procedures when processing vehicle and vessel registration transactions. Further, internal controls at both units, taken as a whole, appear to be sufficient and functioning properly to meet the program objectives. Also, Data Entry Unit management staffs monitor workloads, review various reports, and ensure that the program is operating as designed.



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March 18, 2010

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